

Message Text

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ACTION EB-08

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SUBJECT: WORLD NATURAL URANIUM MARKET

REF: STATE 7629

1. IN CONVERSATION ON 13 JAN 1978 WITH DR. O.J.C. RUNNALLS, OF DEPARTMENT OF ENERGY MINES AND RESOURCES (EMR), WHO IS GOC EXPERT ON URANIUM RESOURCES, SCICOUNS OBTAINED FOLLOWING INFORMATION IN RESPONSE TO QUESTIONS IN REFTEL. (QUESTIONS AND ANSWERS FOLLOW SEQUENCE OF REFTEL.)

2. Q: WHAT ENTITIES PURCHASE U3O8?

A: PURCHASES ARE ESSENTIALLY ALL MADE BY UTILITIES.

Q: DO THE PURCHASERS DEAL WITH PRODUCERS OR DO THEY GO THROUGH A STATE INTERMEDIARY?

A: THE SALES ARE MADE DIRECTLY.

COMMENT: IN THE CASE OF PURCHASE OF U3O8 BY A FOREIGN UTILITY (E.G., YANKEE ATOMIC BUYING FROM DENNISON MINES) THE CONTRACT IS WORKED OUT BETWEEN THE TWO PARTIES

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AND SUBMITTED TO THE ATOMIC ENERGY CONTROL BOARD (AECB) FOR REVIEW AND FOR ITS RECOMMENDATIONS TO THE COGNIZANT MINISTERS. OBVIOUSLY, THE CONTACT HAS TO BE CONSISTENT WITH SAFEGUARDS AND EXPORT POLICIES. ONE RECOMMENDATION WHICH MIGHT BE MADE BY THE AECB, IN CONTRAST TO THE U.S. NUCLEAR REGULATORY COMMISSION, IS THAT THE PRICE IS TOO LOW. IN SUCH A CASE, THE CANADIAN PRODUCER WOULD

PROBABLY RE-NEGOTIATE WITH THE UTILITY AND SUBMIT A REVISED CONTRACT FOR REVIEW BY THE AECB. THE ACTUAL EXPORT PERMIT WOULD THEN BE ISSUED BY THE DEPARTMENT OF INDUSTRY TRADE AND COMMERCE (ITC) AFTER INITIALING BY THE AECB.

IN THE CASE OF A DOMESTIC SALE (E.G., DENNISON MINES TO ONTARIO HYDRO) THE CONTRACT BETWEEN THE UTILITY AND PRODUCER WOULD BE SUBMITTED TO THE AECB ONLY FOR INFORMATION PURPOSES. THE ONLY CONDITION UNDER WHICH AN OBJECTION MIGHT BE RAISED WOULD BE IF THE DOMESTIC PRODUCER PLANNED TO SELL THE URANIUM TO THE CANADIAN UTILITY AT A HIGHER PRICE THAN IT WAS OFFERING TO FOREIGN UTILITIES.

3. COMMENT: CANADA IS A SUPPLIER OF U3O8 AND NOT A NET IMPORTER.

4. Q: ARE FUEL FABRICATORS AND CONVERTERS DIRECT PURCHASERS OF U3O8?

A: NO, THERE ARE ONLY THREE OR FOUR FUEL FABRICATORS IN CANADA AND THEY FABRICATE "TO ORDER" WITH THE URANIUM FURNISHED BY THE UTILITY. ELDORADO, A CROWN COMPANY, IS THE SOLE PRODUCER OF CERAMIC-GRADE UO2, AND THE ONLY CONVERTER OF URANIUM COMPOUNDS TO UF6. THIS ALSO IS DONE LIMITED OFFICIAL USE

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"TO ORDER", ALTHOUGH WHILE THE MATERIAL IS IN THE HANDS OF ELDORADO IT IS, THEORETICALLY, THE "OWNER".

5. Q: WHAT IS THE BALANCE OF PURCHASES BETWEEN LONG TERM CONTRACT AND SPOT MARKET AND WHAT MECHANISMS OR FORA EXIST FOR SPOT MARKET TRANSACTIONS?

A: ESSENTIALLY ALL TRANSACTIONS ARE LONG TERM BUT THEY FALL INTO TWO CATEGORIES: 1) 60 PERCENT ARE LONG TERM CONTRACTS BUT WITH ANNUAL PRICE RENEGOTIATIONS, 2) 40 PERCENT ARE LONG TERM, FIXED-PRICE CONTRACTS WITH PRICE ESCALATION CLAUSES. SPOT PURCHASES ARE POSSIBLE ON A DIRECT UTILITY-TO-PRODUCER CONTRACT BASIS, UNDER THE PROCEDURE MENTIONED ABOVE, BUT (ACCORDING TO RUNNALLS) THERE IS NO PRICE DIFFERENCE.

6. DURING THE PERIOD OF SEVERE MARKET DEPRESSION IN URANIUM SALES, THE GOC BOUGHT SOME URANIUM AND STOCKPILED IT TO KEEP MINES OPEN. TODAY THE INVENTORY IS VERY SMALL AND THE GOC HOLDS ONLY 7200 TONNES OF URANIUM IN THE FORM OF REFINED U3O8 AND CONCENTRATES. THIS MATERIAL IS STORED AT PORT

HOPE UNDER THE COGNIZANCE OF URANIUM OF CANADA LTD.

7. GENERAL COMMENT: THE GOC IS CAREFULLY CONTROLLING URANIUM EXPORTS TO KEEP ADEQUATE RESERVES (30 YEARS) FOR ITS OWN DOMESTIC NUCLEAR POWER PROGRAM. IT ALSO IS ATTEMPTING TO MAINTAIN A RELATIVELY HIGH "WORLD PRICE" OF OVER DOLS 40 PER POUND. ENDERS

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